Manitoba
Agriculture
and Food

AGRICULTURAL OUTLOOK 2000

CATTLE AND HOGS

CATTLE SITUATION AND OUTLOOK, 1999-2000

1999 SITUATION:

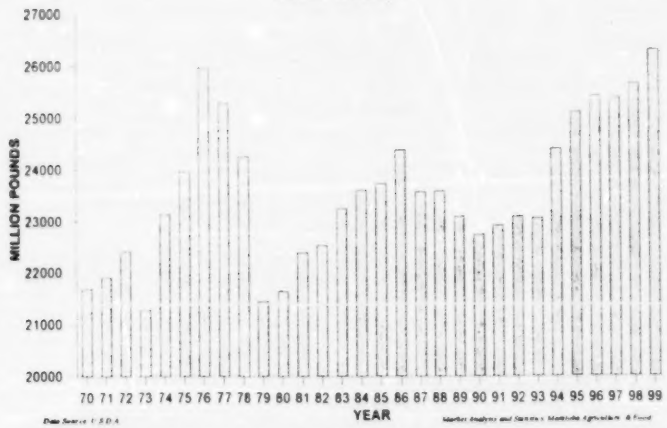
United States

The total U.S cattle inventory and breeding herd on July 1, 1999 declined by a further one percent from mid-year 1998. The number of calves in mid-1999 decreased slightly to 30.5 million head, the lowest level since 1993.

U.S. BEEF COW INVENTORY
1973 - 1999

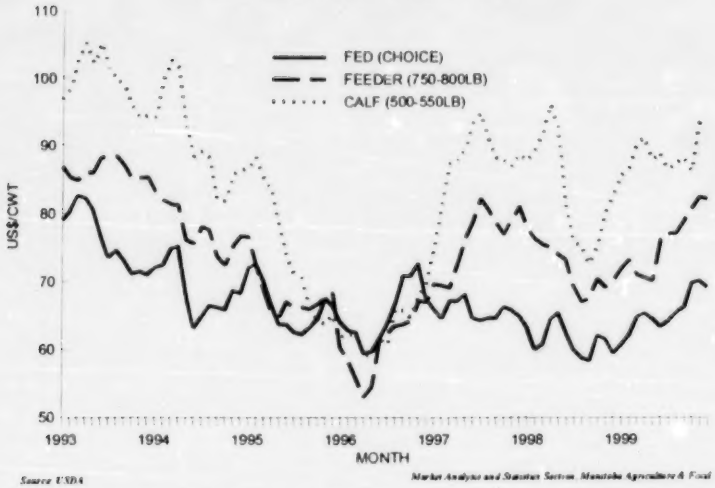
A three percent increase in steer and heifer slaughter was offset by a drop of four percent in total cow slaughter, resulting in a two percent increase in total cattle slaughter for 1999. Feedlots not only fed more animals in 1999, but they also tended to feed the animals for longer before selling them due to the relatively low cost of feed. This raised average carcass weights by about one percent and increased total U.S. beef production by three percent to a new record of 26.3 billion lb. The previous record was in the mid-1970s, when about 30 percent more beef cows were needed to produce a similar quantity of beef. The larger domestic beef supply was augmented by a rise of about 2 percent in *net* imports of beef.

US TOTAL BEEF PRODUCTION
1970-1999



The positive margins from feeding cattle from October, 1998 to the end of 1999 meant feedlot operators were more likely to fill their lots, particularly in the fall when dry pastures forced calves into feedlots earlier than usual. Placements of cattle on feed were above 1998 levels for most of the year. October cattle placements were up by 9 percent, bringing the number of cattle on feed on November 1, 1999 to 6 percent above a year earlier, with most of the increase in the light weight groups.

U.S. CATTLE PRICES
BY MONTH 1993-1999



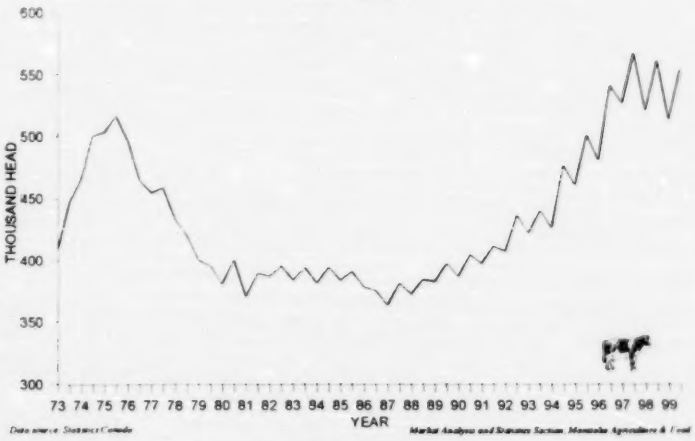
The predicted surge in U.S. cattle prices did not occur until later in 1999. Choice steer prices in 1999 averaged US$65.50/cwt, six percent above the 1998 level. The higher prices projected for fed cattle later in 1999 and in 2000 together with lower feed grain prices encouraged many feedlot operators to pay higher prices for feeder cattle and calves in summer and fall than in 1998. Overall feeder cattle prices in 1999 averaged about 5-6 percent above 1998 levels. Prices for lighter feeder calves increased more than the heavier feeders in late summer/early fall

Prices for 700-800 lb feeders rose by 6 percent to average US$76/cwt for the year, while 500-550 lb calf prices increased by 5 percent to average over US$88/cwt. November steer calf (500-550 lb) prices averaged US$93.25/cwt, 17 percent higher than in 1998.

Manitoba

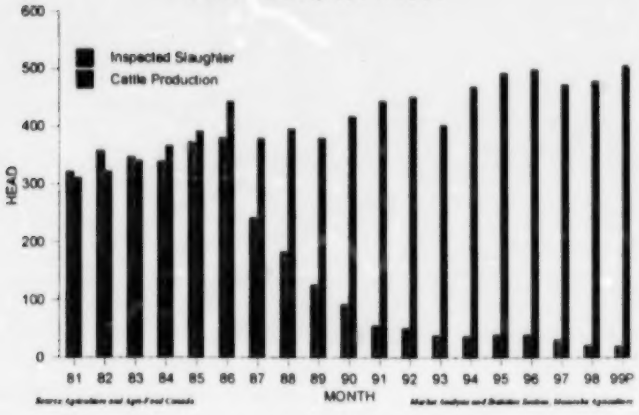
The beef cattle herd expansion, which had occurred over the ten years, 1987-1997, apparently suffered a reversal in the late 1990s *according to Statistics Canada*. Rising prices for breeding stock *may* have resulted in fewer producers increasing their herds or starting new beef cattle operations in 1999, in spite of profitable calf prices projected for a few years.

BEEF COWS ON FARMS
1973-1999



Beef cow numbers decreased by one percent to 554,000 head and the number of replacement heifers declined by five percent in mid-1999. The breeding herd of 635,000 head was down by 3.6 percent from the record 659,000 head in 1997, but was 45 percent greater than the small 1986 herd. Calf numbers fell by one percent from the 1998 level. In fall and winter, 1998-99, despite the relatively high calf prices, projected profitability encouraged Manitoba cattle producers to retain more calves for further feeding in the

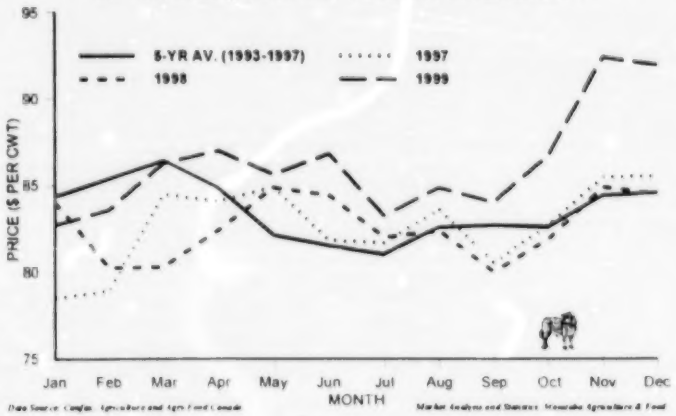
CATTLE PRODUCTION AND SLAUGHTER
MANITOBA, 1981-1999



province, either to yearling, short-keep or slaughter weights. It was estimated that on January 1, 1999, there were 438,000 cattle and calves being backgrounded or finished to slaughter weight in the province.

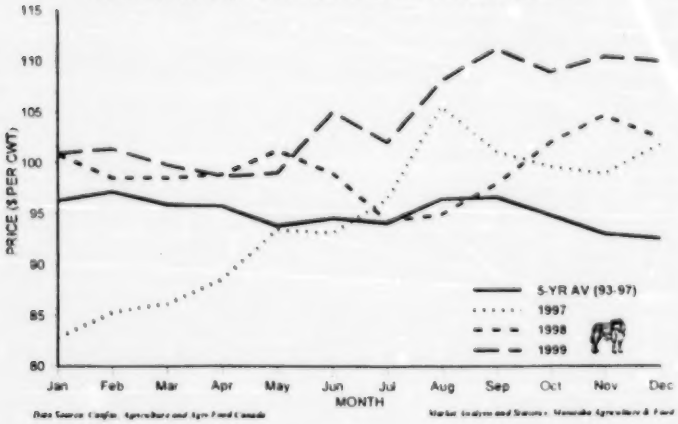
In Manitoba, two small federally-inspected slaughter plants and 26 provincially-inspected plants killed about 20,000 cattle in 1999, close to the 1998 level of 20,384 head. About 104,000 fed cattle were exported to the United States in 1999, while about 25,000 head were shipped to other provinces. The out-movement of non-fed slaughter cattle was close to 60,000 head. About 280,000 Manitoba-origin feeder cattle and calves were sold to other provinces and the U.S. in 1999.

SEASONAL GRADE A STEER PRICES
MANITOBA, 1997-99 VS 5-YR AVERAGE

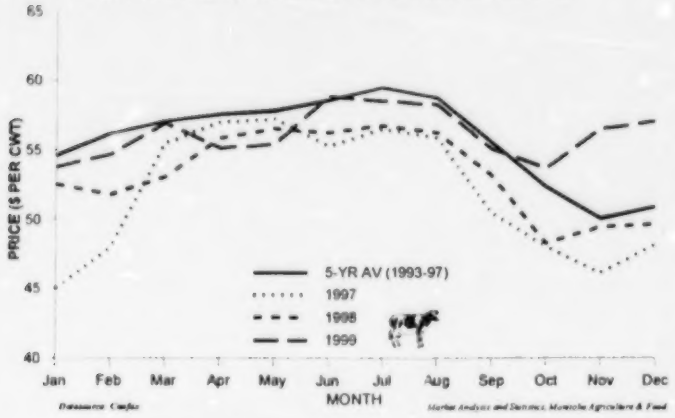


In 1999, feeding cattle in the province was more profitable than in 1998, mainly because of higher fed cattle prices and lower feeding costs. Although the stronger U.S. market had a direct effect on Manitoba cattle prices, local prices also increased due to the positive effect of a lower-valued Canadian dollar during the first half of 1999. An anti-dumping duty of 4.73-5.63% *ad valorem* was imposed by the U.S. on imports of Canadian cattle from July 1, 1999 to November 9, 1999. Local prices of finished cattle did not appear to be depressed by the full amount of the duty, but in mid-November when the duty was lifted there was a surge in cattle prices. Average Grade A steer prices were up by three percent

SEASONAL FEEDER STEER (8-900LB) PRICES
MANITOBA, 1997- 99 VS 5-YR AVERAGE



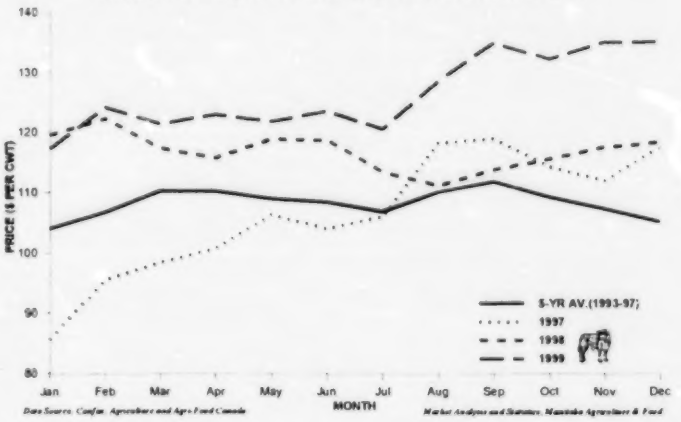
SEASONAL D1,2 COW PRICES
MANITOBA, 1997-99 VS 5-YR AVERAGE



from the previous year in the first three quarters of 1999, but were up seven percent from year earlier levels in the last quarter of the year. Cattle grading U.S. Choice received premium prices due to the American demand for optimum-weight Choice cattle. Grade A steer prices averaged close to $86/cwt in 1999, four percent higher than 1998, but five percent below the 1993 record.

As most of Manitoba's cull cows and bulls were sold to U.S. plants in 1999, the three percent increase in U.S. slaughter cow prices and weak Canadian dollar had a positive effect on Manitoba prices. D1,2 cow prices peaked in June at highs of $67/cwt for grain-fed cows, but, on average, prices rose by five percent from $53.30/cwt in 1998 to $56/cwt in 1999. Manitoba cow slaughter and exports declined in 1999, which could indicate a rise in the breeding herd. However the decline in cull cow exports in 1999 could be because some cow-calf producers decided to sell their calves at the high prices offered in fall, 1999 and feed surplus feed grains to cull cows, which will be sold in 2000.

SEASONAL FEEDER CALF (5-600LB) PRICES
MANITOBA, 1997- 99 VS 5-YR AVERAGE



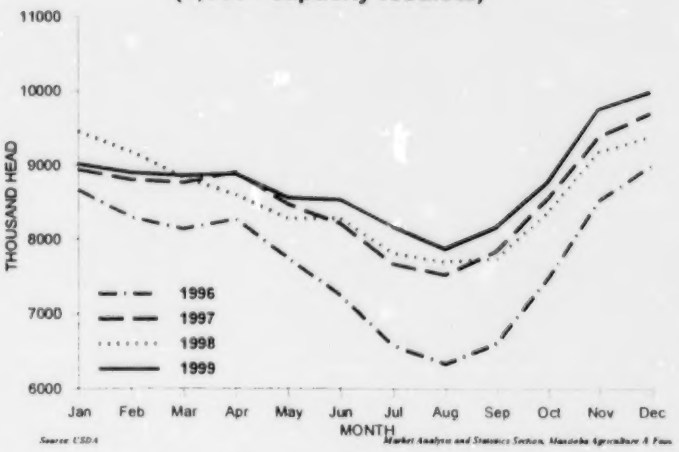
The demand for feeder cattle and calves significantly improved in fall 1999. The forecast of strong U.S. fed cattle prices together with lower feed costs and continuing low interest rates encouraged purchases of feeder cattle and calves causing prices to rise significantly. For most of the year, cattle feeders paid higher than expected prices for their replacement animals. There continued to be local interest in good-quality "grasser-type" calves in spring. As usual, the desirable types of steer calves received premium prices, but heifer calves and poorer-quality steer calves were discounted less than in 1998. The simple average price for 500-600 lb steer calves in 1999 was over $126/cwt, 8 percent above 1998 levels, while prices for 800-900 lb feeder cattle averaged over $104/cwt, up 5 percent from 1998. For the second year, prices for calves and feeder cattle in the fall rose counter-seasonally from late summer.

2000 OUTLOOK:

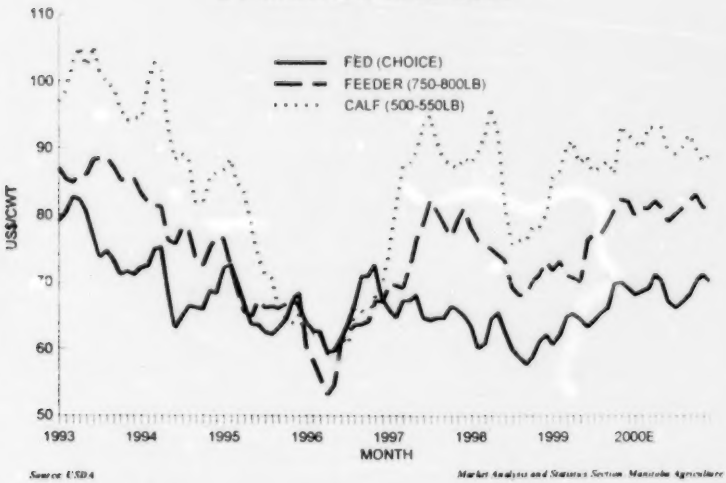
United States

The larger number of cattle on feed in summer and fall, 1999 is likely to contribute to increased fed cattle slaughter in the first half of 2000. Although this will be partly offset by reduced cow slaughter, it is likely that more beef will be produced during this period than in 1999. Slaughter is likely to drop below year-earlier levels in the second half of the year bringing total U.S. beef production for the 2000 down by about 2 percent from 1999 to about 25.7 billion lb. As the beef herd stabilizes or even expands into 2001, U.S. beef production is likely to decline further. The U.S. will continue to be a net importer of beef in 2000. Domestic beef consumption may decrease to below 67 lb (retail wt.) per person if large pork and poultry supplies and relatively low retail prices encourage consumption of chicken and pork instead of beef. The large meat supplies may pressure fed cattle prices in early 2000 compared to the fourth quarter, 1999, but prices are expected to be above 1999 levels for most of the year. Retail and wholesale beef prices could be higher than in 1999, allowing packers to pay more for finished cattle when supplies are tight.

U.S. CATTLE ON FEED, 7 STATES, 1996-1999
(1,000+ capacity feedlots)



U.S. CATTLE PRICES
BY MONTH, 1993-2000



Choice steer prices could average in the US$65-70/cwt range in the first quarter, 2000, rise to US$67-72/cwt in the second quarter, decline seasonally to $65-70/cwt in the third quarter and increase to $67-71/cwt in the fourth quarter. The average Choice steer price in 2000 could be in the US$66-71/cwt range, up by 1-8 percent from 1999.

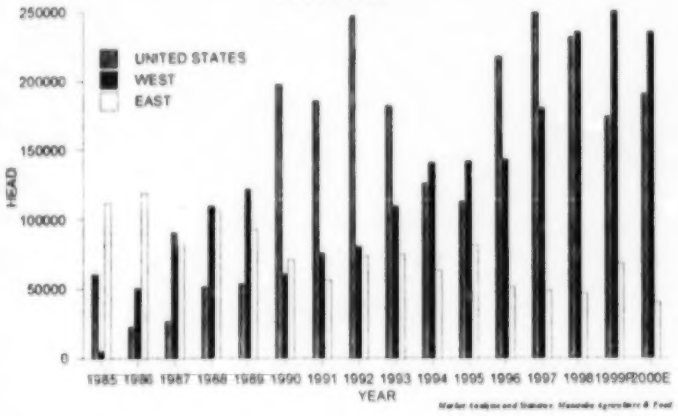
With higher prices for fed cattle and fewer feeder cattle and calves available, feeder cattle and calf prices could be above year-earlier levels, particularly in the first half of 2000.

depending on if, and by how much, feed costs increase. Feeder steer (700-800 lb) prices are expected to average US$79-83/cwt in 2000, 3-9 percent above the 1999 average. The number of Mexican stocker cattle imported into the U.S. is expected to continue to rise to supplement the smaller domestic supply of feeder animals. Conversely, feeder cattle exports to Canada in 2000 under the Northwest Cattle Project are likely to be above the high 1999 levels, while U.S. imports of feeders from Canada will continue to decline.

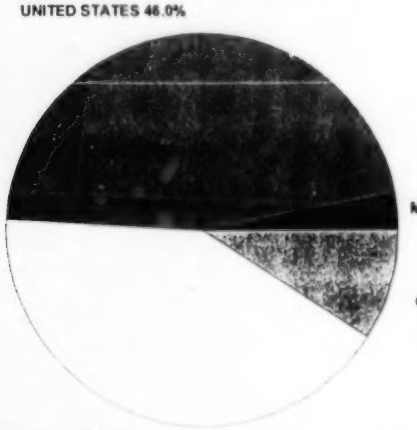
Manitoba

The probable rise in calf sales in fall, 1999 and one percent fewer calves in the province (*according to Statistics Canada*) could mean fewer cattle on farms for further feeding during winter 2000. This could result in a decline in cattle marketings during the year. Prices for local feed grains could still be low relative to many other cattle feeding areas due to the higher costs of transportation to out-of-province markets. The value of the Canadian dollar is projected to rise to US$0.69-0.71 in 2000, which would have a negative impact on prices relative to those in 1999, probably more so in the second half of the year. Continued low interest rates will contribute to the profitability of many cattle operations.

ESTIMATED MOVEMENT OF MANITOBA CATTLE 1985-2000



MANITOBA CATTLE*/BEEF: DESTINATION AND PERCENTAGE OF CATTLE* MARKETINGS, 1999

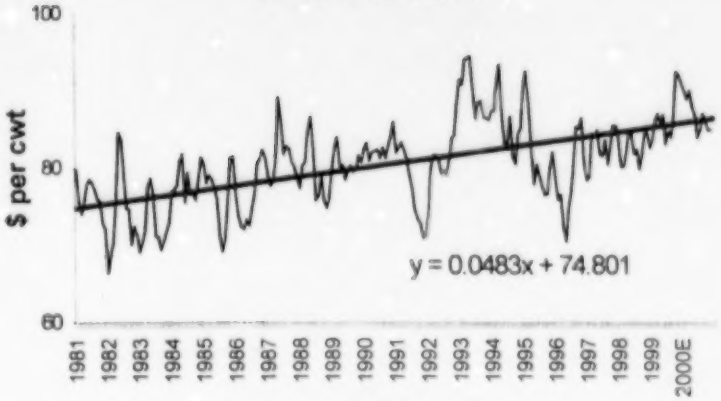


* Cattle slaughtered or shipped from Manitoba converted to carcass equivalent weight

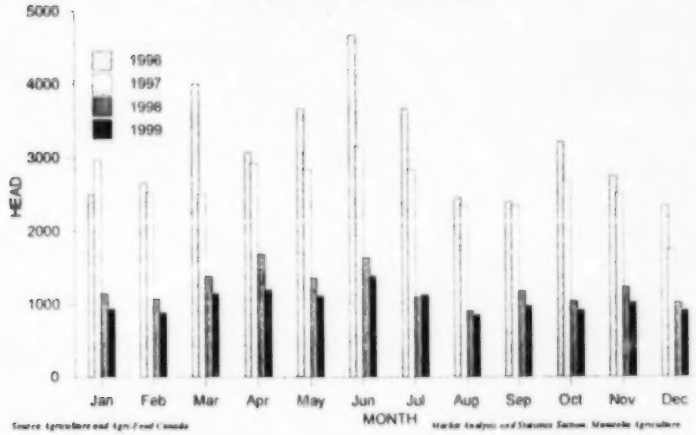
Higher Choice cattle prices projected in the U.S. in 2000 could have a positive effect on Manitoba prices as many of Manitoba's finished cattle will be exported to the United States. A narrower spread between Choice and Select grades will benefit most Grade A cattle marketed in Manitoba. Manitoba Grade A steer prices could average $86-90/cwt in 2000, an increase of as much as five percent from 1999. Prices could be $87-91/cwt in the first and second quarters and $85-89/cwt in the third and fourth

quarters, 2000. Manitoba feeder steer (800-900 lb) prices could average $104-109/cwt in the first quarter, $103-108/cwt in the second quarter, declining to $102-107/cwt in the third and fourth quarters if feed costs remain low and fed cattle prices increase as expected. The average price in 2000, at $103-108/cwt, is expected to be up to 4 percent above the 1999 level. Calf prices are expected to be up by 1-5 percent from 1999 levels to average $128-133/cwt in 2000, with the low end of the range possible if feed costs rise slightly. A smaller corn crop in the United States in 2000 could raise feed prices, which would reduce the demand for feeder cattle and calves in the second half of the year. Manitoba cattle slaughter is unlikely to increase in 2000. A rise in U.S. demand for beef, both domestic and export, will have a positive effect on local cattle prices, regardless of Manitoba's slaughter level. Higher interest and exchange rates will negatively impact prices.

MANITOBA GRADE A STEER PRICES BY MONTH, 1981-2000



INSPECTED CATTLE SLAUGHTER IN MANITOBA BY MONTH, 1996-1999



MANITOBA PRICES FOR GRADE A STEERS, 1997- 2000

	1997	1998	1999	2000E
		$/cwt		
FIRST QUARTER	80.64	81.57	84.17	87-91
SECOND QUARTER	83.61	83.83	86.49	87-91
THIRD QUARTER	81.96	81.46	84.04	85-89
FOURTH QUARTER	84.59	83.77	90	85-89
YEAR	**82.70**	**82.63**	**86**	**86-90**

MANITOBA PRICES FOR D1,2 COWS, 1997 - 2000

	1997	1998	1999	2000E
		$/cwt		
FIRST QUARTER	49.49	52.48	55.13	53-58
SECOND QUARTER	56.47	56.22	56.46	55-60
THIRD QUARTER	54.28	55.38	57.29	54-59
FOURTH QUARTER	47.38	49.11	55	48-53
YEAR	**51.91**	**53.30**	**56**	**53-58**

MANITOBA PRICES FOR 500-600 LB STEER CALVES, 1997 - 2000

	1997	1998	1999	2000E
		$/cwt		
FIRST QUARTER	93.17	119.73	120.94	129-134
SECOND QUARTER	103.65	117.77	122.70	128-133
THIRD QUARTER	114.33	112.79	127.91	128-133
FOURTH QUARTER	114.49	117.08	134	126-130
YEAR	**106.41**	**116.84**	**126.50**	**128-133**

MANITOBA PRICES FOR 800-900 LB FEEDER STEERS, 1997 - 2000

	1997	1998	1999	2000E
		$/cwt		
FIRST QUARTER	84.71	99.26	100.66	104-109
SECOND QUARTER	91.67	99.68	100.89	103-108
THIRD QUARTER	101.03	95.71	107.07	102-107
FOURTH QUARTER	100.11	103.02	109	102-107
YEAR	**94.38**	**99.42**	**104.50**	**103-108**

MANITOBA BEEF CATTLE PRODUCTION AND MARKET DATA, 1990-2000

	Slaughter Cattle Mktgs[a] (Man. Origin) (000 hd)	Federal/ Provincial Cattle Slaughter (000 hd)	Average Dressed Weight (lb)	Beef Production (mln. lb)	Average Price of Grade A Steers ($/cwt)	Wpg Average Retail Price of Beef [E] ($/lb)	Canadian Per Capita Consumption of Beef (dressed) (lb)	Average Price of Feeder Steers 800-900 lb ($/cwt)	Average Price of Feeder Calves 5-600 lb ($/cwt)	Average Price of D1,2 Cows ($/cwt)
1990	189.4	92.3	614.0	56.7	82.33	3.04	78.0	89.24	109.20	59.05
1991	176.8	55.8	619.4	34.6	77.66	3.06	76.7	92.81	110.17	57.05
1992	212.0	50.8	621.0	31.5	81.35	3.02	74.7	92.44	108.50	57.11
1993	194.0	38.6	629.7	24.3	90.34	3.17	71.6	104.78	125.41	63.89
1994	203.0	37.3	650.0	24.2	85.83	3.40	72.8	101.84	126.32	61.53
1995	200.0	38.9	660.0	26.0	82.00	3.35	73.0	89.33	106.88	53.82
1996	275.0	39.8	650.0	25.8	76.69	3.25	72.1	75.91	79.91	47.22
1997	262.0	31.2	670.0	21.0	82.70	3.30	71.2	94.38	106.41	51.91
1998	261.0	20.3	670.0	13.6	82.63	3.30	70.5	99.42	116.84	53.30
1999[P]	209.0	20.0	665.0	13.3	86.00	3.40	70.0	104.50	126.50	56.00
2000[E]	250.0	20.0	660.0	13.2	88.00	3.60	70.0	106.00	130.00	57.00

MANITOBA HOG PRODUCTION AND MARKET DATA, 1990-2000

	Hog Mktgs[a] (Man. Origin) (000 hd)	Federal/ Provincial Hog Slaughter (000 hd)	Average Carcass (dressed) weight (kg)	Pork Production (dressed) (mln. kg)	Average Index 100 Hog Price ($/100kg)	Wpg Average Retail Price of Pork [E] ($/kg)	Canadian Per Capita Consumption of Pork (dressed) (kg)	Average Hog Index	Average Price of No.1 Sows (dressed) ($/100kg)	Hog-Barley Ratio (Wpg)
1990	1,956.6	1,874.8	78.5	147.2	156.84	5.07	26.0	105.5	123.00	32.55
1991	2,092.1	1,967.6	80.3	158.0	137.96	4.95	25.9	105.7	97.00	36.71
1992	2,280.0	2,092.0	80.1	167.6	126.30	4.72	28.4	106.1	97.00	31.31
1993	2,305.0	1,856.3	81.5	151.3	150.00	5.60	27.6	107.0	113.00	39.94
1994	2,383.0	2,021.6	82.6	167.0	139.00	5.30	28.4	108.1	98.00	31.28
1995	2,834.0	2,000.7	82.3	164.0	146.00	5.30	27.8	108.4	100.03	22.61
1996	3,105.0	1,938.0	81.9	160.0	183.15	6.00	25.9	108.9	142.40	23.37
1997	3,400.0	2,076.2	84.0	175.0	182.50	6.00	25.3	108.5	150.93	32.12
1998	3,970.0	2,820.8	86.7	244.6	120.57	5.80	27.0	108.8	80.40	24.19
1999[P]	4,700.0	3,100.0	89.3	276.8	125.00	6.00	27.0	109.8	82.75	26.99
2000[E]	4,900.0	5,000.0	90.0	450.0	139.00	6.50	26.0	110.5	92.00	32.24

SOURCES: Agriculture & Agri-Food Canada, Statistics Canada, Manitoba Pork est, Manitoba Agriculture and Food

[P] Projection [E] Estimated [a] Includes exports

HOG SITUATION AND OUTLOOK, 1999-2000

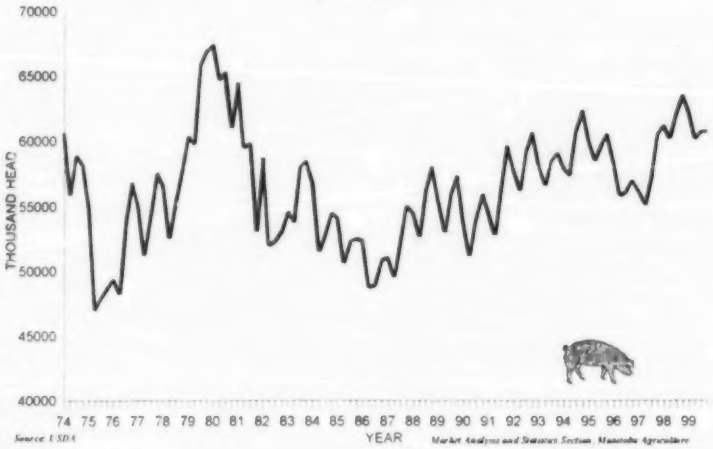
1999 SITUATION:

United States

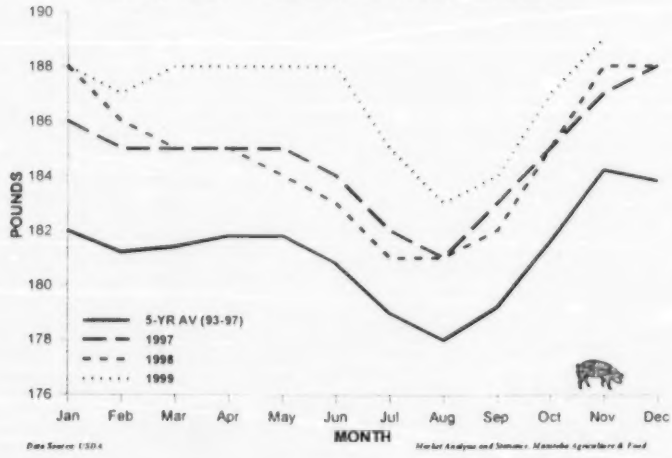
The reduction in U.S. pork production that had been projected for 1999 did not occur as early in the year as expected.

On June 1, 1999, total hog and breeding sow numbers respectively were three and six percent below year-earlier levels, but the number of hogs in the 180 lb and over category was still 2 percent higher than a year earlier. By September 1, the total number of hogs had fallen to four percent below the 1998 level, sows had declined by eight percent and hogs, 180 lb and over, were down by three percent. This implied hog slaughter would decrease in the fourth quarter for the first time in over two years. The trend to larger-scale and more-efficient hog operations has led to higher conception rates, which in turn has meant fewer breeding sows are needed to produce the same number of pigs. The average number of pigs per litter has continued to increase steadily over the past twenty years from 7.04 in 1979 to 8.76 in 1999, a rise of more than one percent a year. Declining sow numbers in 1999

U.S. HOGS ON FARMS
1974-1999

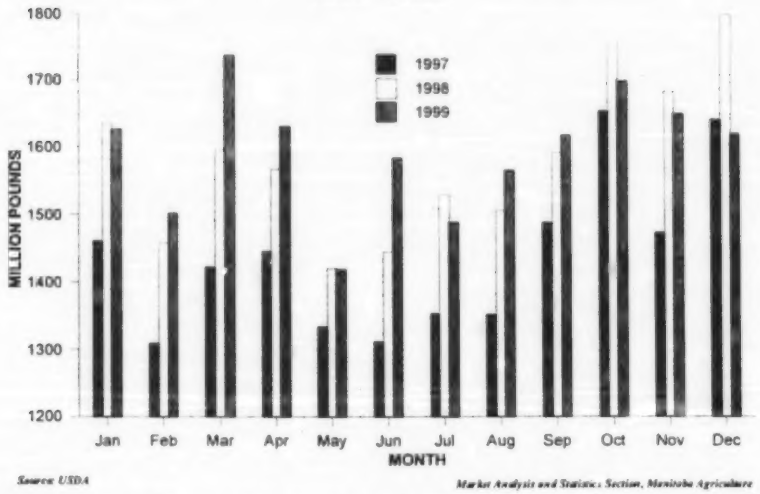


BARROW AND GILT DRESSED WEIGHT
U.S., 1997 - 1999 vs 5-YR AVERAGE



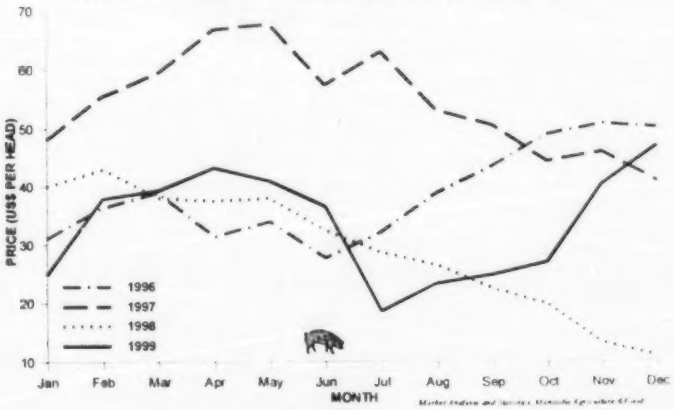
meant that, for the first time since 1996, the pig crop was down from the year before. The decrease was 3 percent.

U.S. PORK PRODUCTION BY MONTH
1997-1999



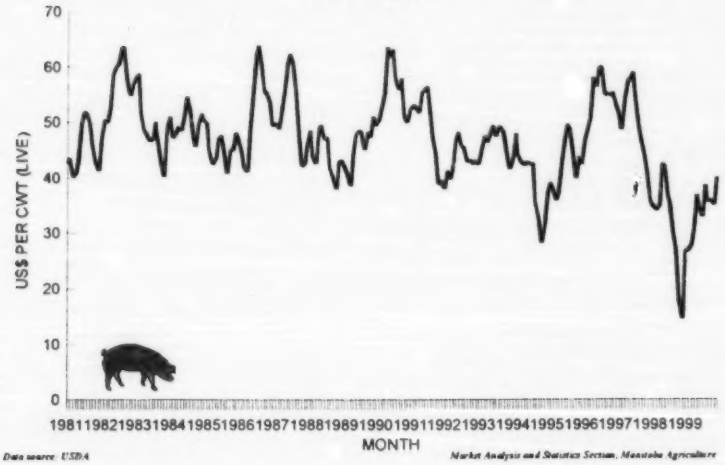
Pork production in the U.S. increased by over three percent for the first nine months of 1999 due to a two percent rise in hog slaughter and a rise of almost one percent in average carcass weights from 1998 levels. This was above expectations due to the excessive hog market weights and less breeding herd reduction or liquidation in the fourth quarter, 1998 than earlier projected. Overall in 1999, pork production was up by 1.5 percent from the 1998 level. During the past three years, the United States has imported over three percent of hogs marketed, all of which came from Canada. However, the country continued to be a net exporter of pork in 1999, with exports mainly going to Japan, Mexico and Canada. Despite a significant decline in pork exports to Russia, particularly during the first eight months of the year, total exports of pork in 1999 are expected to be near the record high level in 1998. The domestic demand for pork exceeded expectations throughout the year, which helped keep hog prices up despite higher pork production and large storage stocks of pork. Unlike the situation in 1998, U.S. packing plants had sufficient slaughter capacity to kill the additional hogs marketed in the fourth quarter, when weekly rates were 2.0-2.1 million head for most weeks. In late November, hog prices were more than double the depressed prices of

SEASONAL WEANLING (50-60LB) PRICES
SIOUX FALLS, SOUTH DAKOTA, 1996-1999



a year earlier. For most of the fourth quarter, average prices were in the US$36-38/cwt range, above USDA's estimated breakeven price for hog farrow-finish operations.

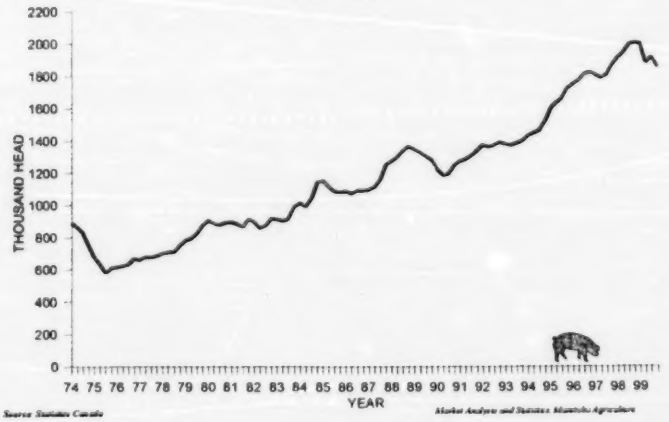
U.S. HOG PRICES BY MONTH
1981-1999



Despite lower prices than in 1998 for the first seven months of 1999, lower feed costs helped maintain profitability of the more efficient operations, particularly in the second half of the year. The herd reduction and liquidation phase, which normally occurs after a prolonged period of negative returns, did not take place to the extent expected in early 1999 as the expansion of large operations offset the liquidation of small operations. Any hog operations integrated with packers or even retailers obviously were unconcerned with low prices at the farm level and continued to expand. Sow slaughter rose in the first quarter, 1999, but declined below 1998 levels for the rest of the year. By the end of the year, USDA's December 1, 1999 hog inventory report showed a seven percent reduction in the sow herd.

Average Iowa-S. Minnesota hog prices (51-52% lean), which increased from US$27.04/cwt (live) in the first quarter to US$34.05/cwt and US$35.69/cwt in spring and summer respectively, were in the high US$30s/cwt to low US$40s/cwt in late fall. Hog prices averaged over US$33/cwt in 1999, up by four percent from the 1998 level of US$32.01/cwt, but well below the five-year average of US$44.04/cwt.

MANITOBA HOGS ON FARMS BY QUARTER
1974-1999

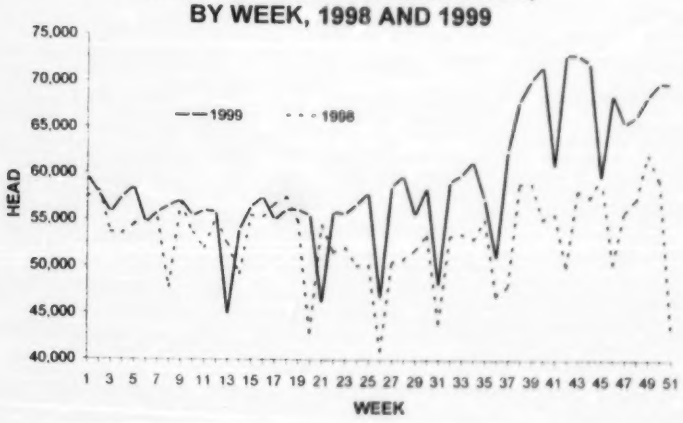


Manitoba

Despite a decline in the total number of hogs on Manitoba farms due to increased weanling exports, local hog producers

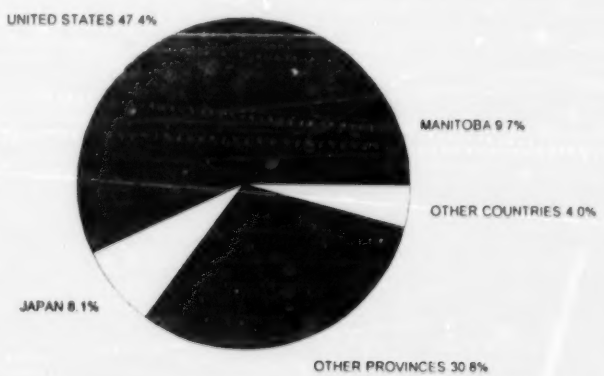
continued to expand their breeding herds by 6.1 percent to a record 242,500 sows and 10,500 boars on October 1, 1999. There were about 4.7 million hogs marketed in the province in 1999, of which over 2.1 million head, including about 1.3 million weanlings and feeder pigs, were exported to the U.S. and 35,000 head shipped to Ontario. Maple Leaf Pork's (MLP) new state-of-the-art plant in Brandon opened in September, 1999 and the kill line at the MLP Winnipeg plant was closed in mid November. By early October slaughter levels in the province had increased to over 70,000 head per week. Expanded hog slaughter capacity at J.M. Schneider, Inc, Springhill Farms and Best Brand Meats plants in 1999 also contributed to the record slaughter level in 1999. During the year, over 520,000 slaughter hogs were brought in from Alberta, Saskatchewan and Ontario to be killed at Manitoba plants. Manitoba-origin hogs slaughtered in Canada totalled close to 2.6 million head, while federal and provincial inspected slaughter in the province rose by ten percent to about 3.1 million head. Many of the slaughter hogs and weanlings exported to the United States, and to a much lesser extent Ontario, potentially were available for slaughter in the province if required.

HOG SLAUGHTER IN MANITOBA, BY WEEK, 1998 AND 1999



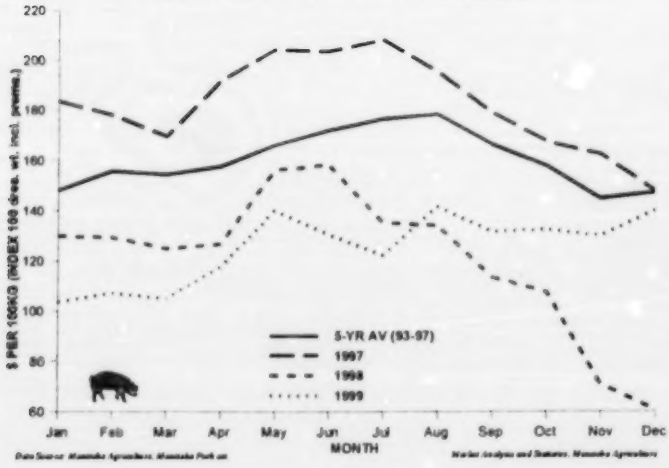
The average carcass weight of Manitoba hogs continued to increase in 1999 to over 89 kg. Packers killed a larger percentage of hogs in heavier weight ranges than in previous years with no price penalty. The average index of about 109.8 in 1999, was up from 108.8 the year before, and continued to be the highest in Canada.

MANITOBA HOGS*/PORK: DESTINATION AND PERCENTAGE OF HOG* MARKETINGS, 1999



* Converted to carcass equivalent

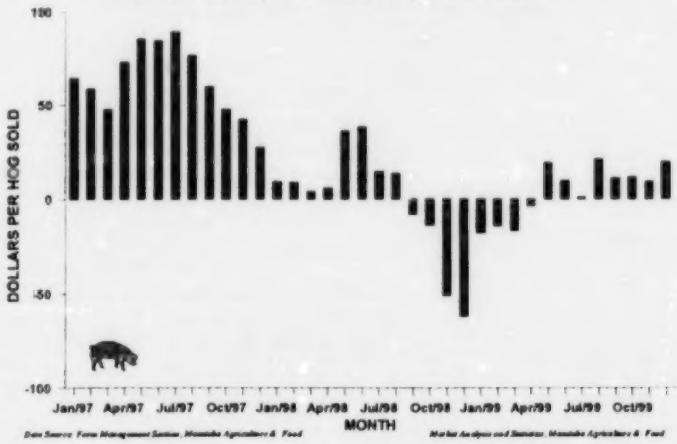
MANITOBA SEASONAL HOG PRICES
1997- 1999 VS 5-YR AVERAGE



As Manitoba exported over 90 percent of the hogs produced in the province, either live or as pork, markets in the United States and, to a lesser extent, Ontario have had a significant impact on Manitoba hog prices. After July 1, 1996, when flexible hog marketing was introduced in Manitoba, average hog prices were obtained directly from the four major processors and quoted on an Index 100 basis (incl. premiums and bonuses). A premium of $3/head for hogs in the optimum weight range, premiums for specific lean-to-fat ratios, loin eye premiums and increments for hogs grading over Index 100, enabled producers to receive higher prices for quality animals.

Influenced by the relatively weak U.S. market, Manitoba Index 100 hog prices (including premiums), at $105/100kg and $129/100kg for the first and second quarters, 1999, were respectively 18 and 12 percent below year-earlier levels. Hog prices in the third and fourth quarters rose to average $132/100kg and close to $134/100kg, up by 3 and 68 percent from 1998 levels. In mid August, 1999 average hog prices were at their highest level for the year at $147/100kg. The annual average Index 100 hog price (including premiums) for 1999, at $125/100kg, was 3.7 percent above the 1998 average price of $120.57/100kg.

AVERAGE NET RETURNS PER HOG SOLD,
MANITOBA, BY MONTH, 1997-1999

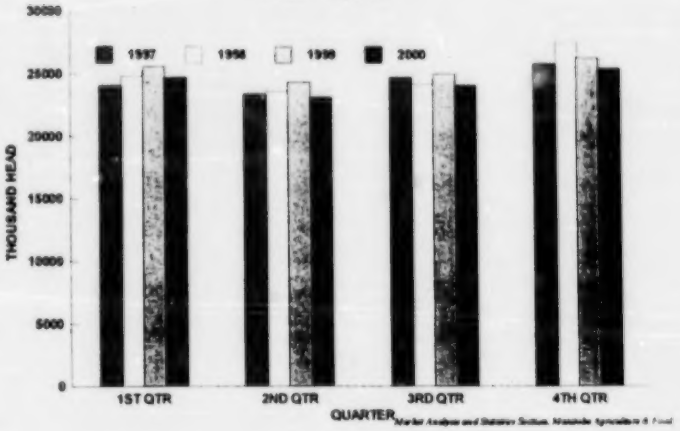


2000 OUTLOOK:

United States

The December 1, 1999 hog inventory report showed total hog numbers were down by four percent from 1998, sows and gilts were down by seven percent and market hogs fell by four percent. There were four percent fewer hogs in the 179 lb. and under categories and five percent less in the heavier weight ranges. This could result in a 4-5 percent decrease in hog slaughter in the first quarter and 4 percent in the second quarter, 2000 when the finished animals come to market. Once weekly hog slaughter declines below 1.9 million head, which is likely in early winter, hog prices are expected to increase further. The number of sows farrowed or expected to farrow between December, 1999 and February, 2000 was down by only three percent from a year earlier, which when combined with slightly larger litter sizes, could mean about 3 percent fewer hogs coming to market in the second half of the year. With steady to lighter hog carcass weights, pork production is expected to drop by 3-4 percent in 2000. The level of export and domestic demand again will be the key to utilising the still-large supply of pork and in determining hog prices.

U.S. COMMERCIAL HOG SLAUGHTER
1997 - 2000



In mid-December, 1999, futures traders expected U.S. hog prices to be US$41/cwt (live) (US$56/cwt lean carcass) in February, 2000, rising in June, 2000 to almost US$48/cwt (live) (US$65/cwt lean carcass), but declining in the second half of the year. Early-year prices allowed positive margins to be locked in for most hog operations, as feed costs are expected to be close to 1999 levels for at least the first half of the year. Reduced pork supplies and relatively good hog prices could result in positive net margins during the last half of 1999 unless feed costs increase significantly.

U.S. pork consumption could decrease by 4 percent in 2000 as retail pork prices are expected to rise above 1999 levels. Exports of pork to Japan and other Southeast Asian countries are expected to be above year-earlier levels for most of 2000 as local

economies continue to strengthen and currencies rise in value relative to the U.S. dollar. There may be greater opportunities to increase exports of lower-valued cuts to China and Mexico.

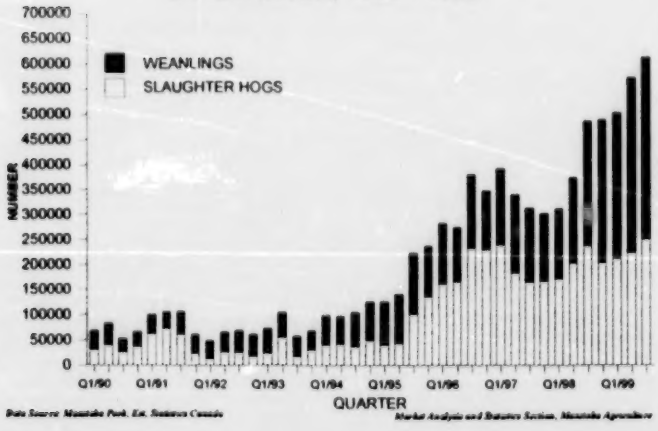
U.S. packers are likely to raise their bids for hogs by more than is warranted by the drop in hog marketings at any indication of undersupply so the following estimates could be conservative. Obviously the reverse is possible as evidenced by the severe price discounting in fall, 1998. Hog prices could average in the US$36-40/cwt range in the first quarter, 2000, US$41-45/cwt in the second quarter and US$40-44/cwt in the third quarter and US$39-42/cwt in the fourth quarter. Average hog prices for 2000 could be in the US$39-43/cwt range, up 18 to 30 percent from 1999.

Manitoba

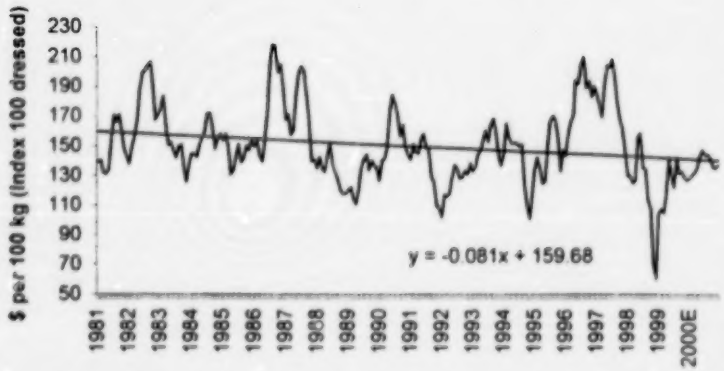
The relatively weak U.S. hog market for the first half of 1999 was offset partially by the lower-valued Canadian dollar and cheap feed, which helped many Manitoba hog operations to show profits after the first quarter, 1999. The trend of higher-quality, heavier hogs also helped keep hog returns positive in 1999 and encouraged expansion of Manitoba's hog breeding herd. With close to 245,000 sows, Manitoba hog marketings could rise by 5 percent to over 4.9 million hogs in 2000. The number of hogs slaughtered in Manitoba plants could increase by about 60 percent to five million head due to Maple Leaf Pork's Brandon plant reaching more than full one-shift production in 2000 as well as increased kill capacity at the

HOG SLAUGHTER
1981-2000

MANITOBA HOG EXPORTS TO USA
BY QUARTER, 1990 - 1999



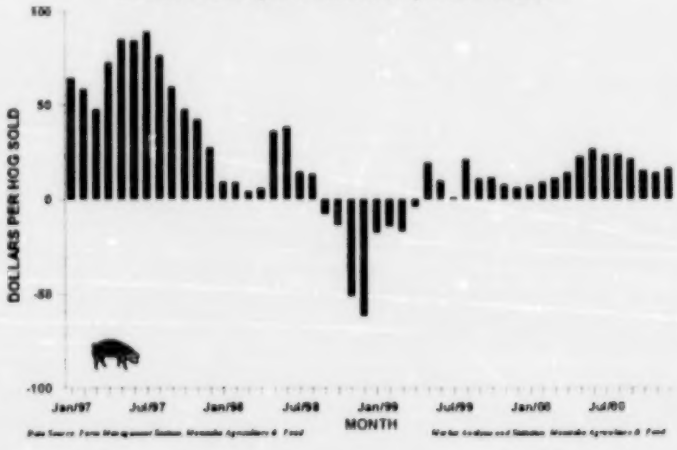
MANITOBA INDEX 100 HOG PRICES, BY MONTH, 1981-2000



expanded Springhill Farms' and J.M. Schneider's plants. Best Brand's plant could also increase kill levels if required by Schneider/ Smithfields and there may be more Saturday "kills". Weanling exports could decrease in 2000 if relatively lower feed costs and relatively higher hog prices in Manitoba encourage local feeder-finishers to pay more for weanlings than U.S. buyers would. There are expected to be fewer Manitoba-origin hogs slaughtered in plants in the United States in 2000. The merger between MLP and The Landmark Group, which includes Elite Swine Inc., will result in Elite Swine export hogs being redirected to the MLP plant. Hogs will continue to be brought in from Alberta and Saskatchewan to meet the needs of Manitoba plants.

The two major factors, which will continue to influence local hog prices, are U.S. hog prices and the Canada-U.S. exchange rate. The dollar is expected to rise to the US$0.69-0.71 range in 2000, up from US$0.674 in 1999. A higher-valued dollar would result in lower local hog prices, as long as Manitoba hog prices continue to be influenced by the U.S. market. Increased domestic packer competition for Manitoba hog supplies is likely to have a positive effect on hog prices in 2000. The need for high-quality, heavier hogs, particularly to supply pork to expanding export markets, will continue to encourage local packers to pay price premiums, supplements and bonuses.

AVERAGE NET RETURNS PER HOG SOLD, MANITOBA, BY MONTH, 1997-2000



With the average Iowa-South Minnesota hog price (51-52% lean) projected in the

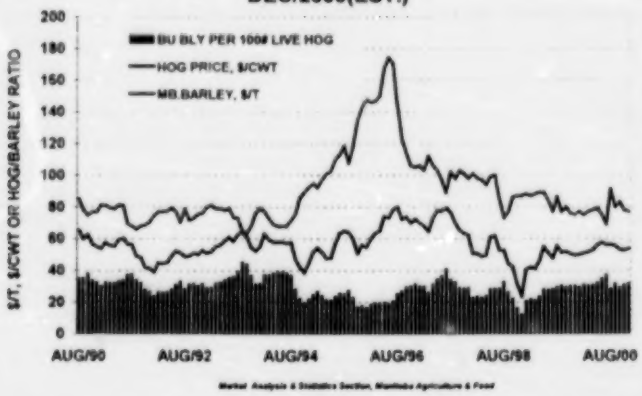
US$39-43/cwt (live) range, Manitoba Index 100 hog prices (including all premiums) could average $134-$144/100kg or $61-65/cwt (dressed) in 2000. First quarter prices could be in the $128-138/100kg ($58-63/cwt) range, second quarter prices could rise to $140-150/100kg ($63-68/cwt) with prices of $139-149/100kg ($63-68/cwt) in the third quarter and $130-140/100kg ($59-63/cwt) in the fourth quarter.

MANITOBA PRICES FOR INDEX 100[a] HOGS, 1997– 2000

	1997	1998	1999*	2000E
		$/100kg		
FIRST QUARTER	177	128	105	128-138
SECOND QUARTER	199	147	129	140-150
THIRD QUARTER	194	128	132	139-149
FOURTH QUARTER	158	80	134	130-140
YEAR	**182**	**121**	**125**	**134-144**

* preliminary E- estimates [a] Includes premiums and bonuses

MANITOBA HOG/BARLEY RATIO VS FARM VALUE OF HOGS & FEED BARLEY, AUG/90-DEC/2000(EST.)



The hog-barley ratio is the number of bushels of No.1 feed barley equal in value to 100 lb of Index 100 live hog, with the barley and the hogs priced in Winnipeg. If the hog-barley ratio is any indication of profitability in the hog sector, then it appears that feeding barley to hogs in 1999, on average, was more profitable than in 1998. With low feed costs continuing into 2000 and higher hog prices, profits from feeding hogs in 2000 may be greater than in 1999, at least in the first half of the year.

December, 1999

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